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PERFORMANCE EVALUATION OF KCC SCHEME IN INDIA WITH SPECIAL REFERENCE TO KARNATAKA

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Abstract:

Agriculture is the backbone of the Indian economy, and it is essential for the country's food security and rural development. In order to boost agricultural production and productivity, farmers need access to credit. Agricultural credit institutions are financial institutions, that provide loans to farmers for agricultural purposes through various schemes. The Kisan Credit Card (KCC) scheme is one of the schemes which designed to provide farmers with timely and adequate credit support through a simplified and flexible process. An attempt is made in this paper to study and analyses the performance of KCC in India and Karnataka. The study is based on the secondary data collected from various reports, journals and websites. The study found that, the Kisan Credit Cards issued by commercial banks has shown increasing trend during the study period in India and fluctuation in the growth of operative KCCs and the amount outstanding in the Karnataka for the study period. The study concluded that, in order to upliftment of well-being of farmers, financial institutions should educate them in utilizing of these schemes and implementing KCC properly.

Keywords: *Agricultural credit, Kisan Credit Card, Commercial Banks, Interest Subvention Scheme.*

INTRODUCTION

The Kisan Credit Card Scheme, established in 1998 based on the recommendations of the High-Level Committee of Shri. R.V.Gupta is considered the most beneficial credit card for providing agricultural loans in India. This initiative aims to offer hassle-free and sufficient credit to all farmers, particularly small and marginal ones, to support their production and investment needs. Implemented by various financial institutions like Commercial Banks, Regional Rural Banks, and Cooperative Banks under the supervision of NABARD

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and the Government of India, this scheme has significantly contributed to the agricultural sector. While Commercial Banks are the primary lenders under the KCC scheme, rural and cooperative banks also play a crucial role in several states. The main goal of this program is to ensure that farmers have easy access to credit facilities for various agricultural activities, including pre and post-harvest expenses, maintenance, housing, and other operational costs. Additionally, the scheme provides long-term loans for investments based on the farming and financing model introduced in 2004. Through the self-regulation policy of KCC, farmers have the flexibility to choose the purpose of their loans, rather than receiving cash directly. They can make withdrawals and repayments within the approved credit limit.

The Kisan Credit Card Scheme offers a range of benefits such as Personal Accident Insurance Scheme (PAIS), Prompt Repayment Incentive (PRI), and Interest Subvention Scheme for timely repayment, in addition to collateral-free loans, flexible repayment options, and crop insurance for small and marginal farmers. As a result, 80.41% of farmers in the state have experienced improved and more efficient services. By providing farmers with access to formal credit facilities, this scheme not only helps them move away from informal sources but also encourages them to engage in financial activities, ultimately achieving the objectives of the program.

An extension has been made to the facility of providing separate Kisan Credit cards to farmers engaged in Animal husbandry, Dairy farming, and Fishery starting from the financial year 2018-19. The Department of Agriculture and Farmers' Welfare and the Ministry for Fisheries, Animal Husbandry, and Dairying, under the guidance of GOI, RBI, and NABARD, have been implementing various KCC saturation drives and campaigns to increase awareness and expand the reach of the scheme. Consequently, Co-operative banks, RRBs, and Commercial banks have initiated multiple KCC saturation drives in the state. They have also set up separate counters in their respective branches to create awareness and efficiently handle KCC-related matters such as issuing new cards, renewing existing cards, increasing limits, activating inactive cards, and more, within the shortest possible time. As of the financial year 2021-22, there are 47.37 lakh operating Kisan cards in Karnataka, with an outstanding amount of 1.75 lakh crore.

REVIEW OF LITERATURE

Naveen et.al (2020) evaluated the Growth of Agricultural Credit in India, before and after introduction of Kisan Credit Card. It was found that, Kisan Credit Card (KCC) scheme helped the government to regulate the credit needs of the farmer and the co-operative share of agriculture credit has been decreased over the years. The study suggested the government to take necessary steps for the

effective functioning of co-operatives and it should bring all loans related to agriculture under Kisan Credit Card, so that the farmers can avail interest subvention for the loans.

Gaikar Vilas et.al (2021) examined the growth and variations in amount sanctioned to Kisan Credit Card under Agricultural credit in India. The study observed that there is sharp decline in number of cards but multi-fold increase in amount sanctioned on Kisan Credit Card. Among all KCC issuing agency, Commercial Banks found to be ahead than Cooperative Banks and Regional Rural Banks during the period of study in terms of number and amount sanctioned. The number of cards and amount sanctioned were very high in southern Region by Co-operative Banks and in Central Region by Region Rural Banks and Commercial Banks.

Ujwala Kambali and Niyaz Panakaje (2022) examined the farmers access of commercial banks' agricultural finance and its impact on their income in Dakshina Kannada district. The main objectives of their study were to identify and explore the factors effecting agriculture finance and study the impact of various schemes of commercial banks and other institutions in the development of socio- economic condition of the farmers. The study found that, there was a close association between borrowers' socio-economic wellness and proper implementation of schemes and it suggested that, appropriate policies are needed to increase productivity and improve farmers' welfare through effective channelization of the schemes.

OBJECTIVES

1. To know the purpose and features of KCC Scheme
2. To analyze the performance of Commercial banks in the distribution of KCC in India and Karnataka.

FEATURES OF KCC SCHEME

- The scheme includes an ATM-enabled RuPay debit card that allows for one-time documentation, an increase in the limit, and multiple withdrawals within the set limit.
- In addition to achieving saturation, banks will also ensure that Aadhaar is linked immediately, as no interest subvention will be provided if Aadhaar numbers are not linked to KCC accounts.
- The government has also implemented various initiatives for KCC saturation, such as including farmers engaged in animal husbandry and fisheries, waiving the processing fee for KCC loans, and increasing the limit for collateral-free agriculture loans from Rs. 1 lakh to Rs. 1.6 lakh.
- The KCC facility will assist farmers involved in fisheries and animal husbandry in meeting their short-term credit needs for rearing animals, poultry birds, fish, shrimp, other aquatic organisms, and fish capture.

PURPOSE OF THE KISAN CREDIT CARD (KCC)

The Kisan Credit Card (KCC) scheme is designed to provide farmers with timely and adequate credit support through a simplified and flexible process. It aims to address various needs of farmers, including short-term credit for crop cultivation, post-harvest expenses, marketing loans for produce, consumption requirements of farmer households, working capital for farm maintenance, and investment credit for agriculture and allied activities.

FINANCIAL PROVISIONS

In terms of financial provisions, the government of India has implemented an interest subvention scheme to ensure that agricultural credit is available to farmers at a reasonable cost. Under this scheme, farmers are eligible for an interest subvention of 2% for short-term crop loans up to Rs. 3 lakhs. Additionally, the government provides a prompt repayment incentive of 3% to farmers.

TYPES OF KISAN CREDIT CARDS

Commercial banks typically offer two types of Kisan Credit Cards:

a. *Crop Season Kisan Credit Card:* This type of card is used for short-term credit requirements for crop production and related expenses like seeds, fertilizers, pesticides, labor costs, etc. The validity of this card usually coincides with the crop season.

b. *Annual Kisan Credit Card:* This card provides credit for the entire farming year, covering both crop and allied activities. It is a revolving credit facility, and the farmer can draw money multiple times within the credit limit during the year. The Kisan Credit Card has been instrumental in providing timely and adequate credit to farmers, empowering them to meet their agricultural expenses, improve productivity, and ultimately contribute to the growth of the agriculture sector in India.

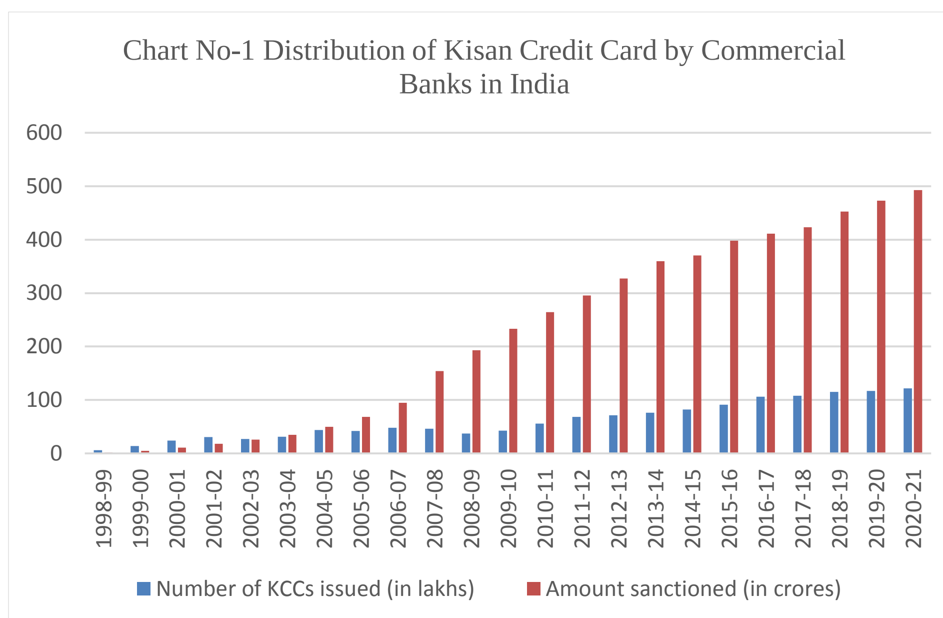
Table 1: Distribution of Kisan Credit Card by Commercial Banks in India. (Period from 1998-99 to 2020-21)

Year	Number of KCCs issued (in lakhs)	Amount sanctioned (in crores)
1998-99	6.22	1,473
1999-00	13.66	5,010
2000-01	23.9	10,625
2001-02	30.71	18,149
2002-03	27	25,630
2003-04	30.94	34,961
2004-05	43.96	49,717
2005-06	41.65	68,496
2006-07	48.08	94,711
2007-08	46.06	1,54,241
2008-09	37.05	1,93,250
2009-10	42.36	2,33,190
2010-11	55.82	2,64,391
2011-12	68.03	2,95,596
2012-13	71.43	3,27,641
2013-14	76.39	3,59,842
2014-15	82.12	3,70,767

2015-16	91.32	3,98,121
2016-17	106.11	4,11,232
2017-18	108.01	4,23,451
2018-19	114.81	4,52,621
2019-20	117.11	4,72,818
2020-21	121.71	4,92,921

Source: The Reserve Bank of India (RBI), The Ministry of Agriculture and Farmers' Welfare, National Bank for Agriculture and Rural Development (NABARD), Various research papers and reports on the KCC scheme.

The table1-1 shows the number of Kisan Credit Cards (KCCs) issued and the amount sanctioned under the KCC scheme in India from 1998-99 to 2020-21. The number of KCCs issued has increased steadily over the years, from 6.22 lakhs in 1998-99 to 121.71 lakhs in 2020-21. This is due to the government's efforts to promote the KCC scheme as a way to provide financial assistance to farmers.



The amount sanctioned under the KCC scheme has also increased significantly over the years, from Rs. 1,473 crores in 1998-99 to Rs. 4,92,921 crores in 2020-21. This is due to the increase in the number of KCCs issued and the rise in the average amount sanctioned per KCC. The average annual growth rate of the number of KCCs issued is 12.5%. The average annual growth rate of the amount sanctioned under the KCC scheme is 21.7% and the maximum number of KCCs issued in a year was 121.71 lakhs in 2020-21. The maximum amount sanctioned under the KCC scheme in a year was Rs. 4,92,921 crores in 2020-21. The state with the highest number of KCCs issued in 2020-21 was Uttar Pradesh (23.09 lakhs). The state with the highest amount sanctioned under the KCC scheme in 2020-21 was Uttar Pradesh (Rs. 73,992 crores).

PROGRESS OF THE KISAN CREDIT CARD SCHEME IN KARNATAKA STATE

Karnataka state has a good banking network system which is speed in all the districts including in the rural areas. There are 12 public sector Banks, 21 private Sector banks, besides two Regional Rural Banks operating in the state (as on 1st March 2023). About 65 percent of the banking business (turnover) in the state is concentrate in seven major banks having lead responsibilities. The rural Credit dispensation in the state takes place through Co-Operatives, Commercial Banks and Regional Rural Banks (Karnataka Economic Survey: 2008-09). The credit Cards Scheme was introduced in the state along with implementation of the same at all India level in 1998-99. It aims at providing adequate and timely credit for the comprehensive Credit requirements of the farmers under a single window, with flexible and simplified procedure adopting whole farm approach including short term credit needs and the reasonable component is remarked for consumption purpose. In addition to this R.V.Gupta committee Report and the Hon'ble finance minister indicated that taking an estimation of about 60 percent of farmers availing institutional credit about 37 lakh farmers in Karnataka may be required to be issued Kisan Credit cards. Further it emphasized on coverage of all eligible Farmer under the scheme during the next three years beginning from 2001-02 and the introduction of personal Insurance scheme (PACS) For the benefit of Kisan Credit Card holders. The Scheme has made rapid progress in the banking system in the state [Nahatkar et.al.2002].

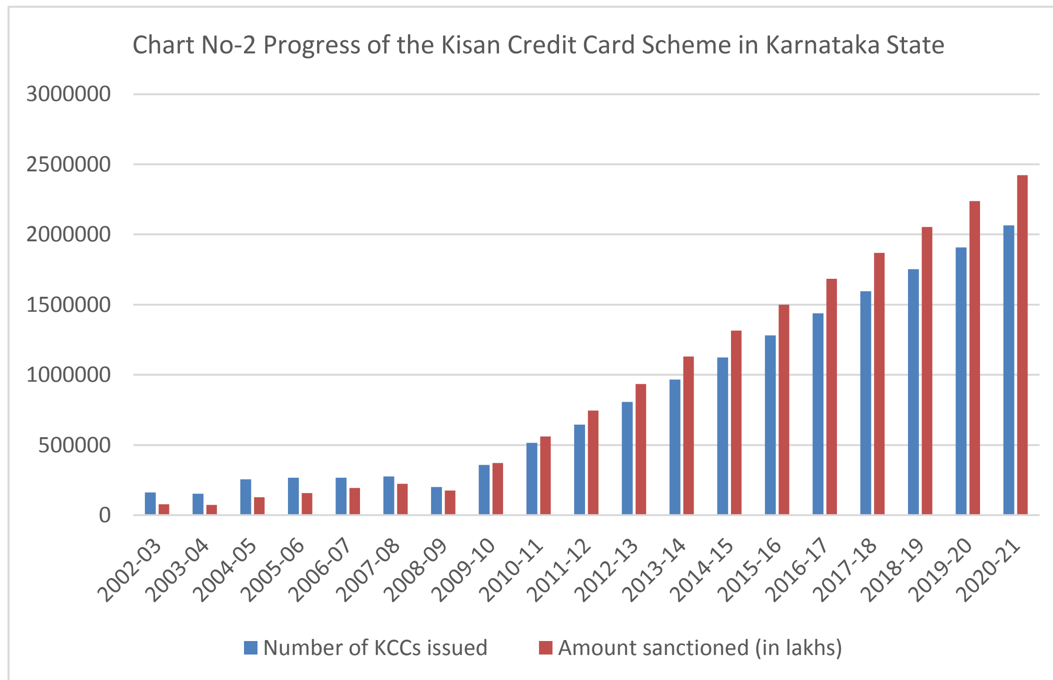
Table No 2: Progress of the Kisan Credit Card Scheme in Karnataka State

Year	Number of KCCs issued	Amount sanctioned (in lakhs)
2002-03	162590	78634
2003-04	154006	73853
2004-05	257149	127598
2005-06	267619	157619
2006-07	267708	194880
2007-08	275676	223347
2008-09	201017	176410
2009-10	359001	371735
2010-11	516801	560735
2011-12	644856	746720
2012-13	806992	935825
2013-14	965376	1131025
2014-15	1123811	1316928
2015-16	1280865	1508752
2016-17	1437528	1684680
2017-18	1594836	1868925
2018-19	1751894	2053272
2019-20	1908374	2237508
2020-21	2065852	2421942

Source: Karnataka State Department of Agriculture.

The table no - 2 shows the Progress of the Kisan Credit Card Scheme in Karnataka State. The number of KCCs issued has increased steadily over the years, from 16,2590 in 2002-03 to 20,65,852 in 2020-21. The amount sanctioned under the

scheme has also increased steadily over the years, from 78,634 lakhs in 2002-03 to 24, 21,942 lakhs in 2020-21.



The average number of KCCs issued per year is 1,83,005 and the average amount sanctioned per year is 17,374 lakhs. The maximum number of KCCs issued in a year is 20,65,852 in 2020-21 and maximum amount sanctioned in a year is 24,21,942 lakhs in 2020-21. The increasing trend in the number of KCCs issued and the amount sanctioned under the scheme indicates that the scheme is becoming more popular among farmers. Percentage increase in the amount sanctioned (in lakhs) is a 2002-03 to 2007-08 is 82.1% and 2007-08 to 2012-13 is 56.6% and 2012-13 to 2017-18 is 37.2% 2017-18 to 2020-21 is 25.8% and the percentage increase in the number of KCCs issued are 48.2%, 32.3%, 24.6% and 17.7 % for every 5 years respectively. The percentage increase in the number of KCCs issued and the amount sanctioned under the scheme has been declining over the years. This is likely due to the fact that the scheme has already reached a large number of farmers and the available funds are limited. However, the scheme is still growing and it is likely to continue to grow in the coming years. The government is committed to promoting agricultural lending and the KCC scheme is a key part of this effort.

CONCLUSION

The KCC scheme has several benefits and plays a crucial role in improving the living standards of farmers. It encourages them to shift from subsistence farming to commercial farming by providing timely

credit. Moreover, it promotes financial inclusion by bringing farmers under the purview of formal banking systems. Among all KCC issuing agencies, commercial banks have ranked first in terms of the amount outstanding than Co-operative Banks and Regional Rural Banks. The Kisan Credit Cards issued by commercial banks has shown growth during the study period from 1998-99 to 2020-21 in India. The study has shown that, though Karnataka ranks first in terms of the amount outstanding, still there is a fluctuation in the growth of operative KCCs and the amount outstanding in the state for the study period. So, there is always a close association between borrowers' socio-economic wellness and effectiveness of schemes. in order to upliftment of well-being of farmers, financial institutions should educate them in utilizing of these schemes and implementing KCC properly.

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